



Approved by (Andy Smith)

Docket #: 2018-009-00013
Security Classification: SECRET
Subject to Minister's Screen (n/a)
Solicitor-Client Privilege (n/a)

SCENARIO NOTE FOR THE DEPUTY MINISTER

DEPUTY MINISTERS GOVERNANCE COMMITTEE SEMI-ANNUAL SHIPYARDS MEETINGS — JANUARY 23, 2018

Date and Location of Meeting

The semi-annual meeting of the Deputy Ministers Governance Committee (DMGC) with Vancouver Shipyards Co. Inc. (VSY) and Irving Shipbuilding Inc. (ISI) will be held on January 23, 2017, at Place du Portage, Phase 3, Tower A, 17A1 (Michael G. Nurse boardroom).

The outline for the meetings is as follows:

10:00-12:00 P.M.	Meeting with Vancouver Shipyards Co. Ltd.
12:00-1:00 P.M.	Lunch break
1:00-3:00 P.M.	Meeting with Irving Shipbuilding Inc.

Core DMGC Attendees

Ms. Marie Lemay, Deputy Minister, Public Service and Procurement Canada (PSPC)
Mr. Michael Vandergrift, Associate Deputy Minister, PSPC
Ms. Jody Thomas, Deputy Minister, Department of National Defence (DND)
Mr. Bill Matthews, Senior Associate Deputy Minister, DND
Mr. John Knubley, Deputy Minister, Innovation, Science and Economic Development (ISED)
Mr. David McGovern, Associate Deputy Minister, ISED
Ms. Catherine Blewett, Deputy Minister, Fisheries and Oceans Canada (DFO)
Mr. Jeffrey Hutchinson, Commissioner, Canadian Coast Guard (CCG)
Mr. Charles McColgan, Director General, Defence Procurement Secretariat
Mr. Steve Brunton, Shipbuilding Advisor

Vancouver Shipyards Attendees

Mr. Brian Carter, President and CEO, Seaspan Shipyards
Mr. Larry Simkins, President, Washington Corporations
Mr. Paul Thomas, Senior Vice-President and General Manager, Vancouver Shipyards
Mr. Tim Page, Vice-President, Government Relations, Seaspan Shipyards
Mr. Steve Hanks, Seaspan Shipyards
Mr. Brian Campbell, Vice President, Portfolio Management, Seaspan Shipyards

ISI Attendees

Mr. James Irving, Co-Chief Executive Officer, J.D. Irving Ltd.

Kevin McCoy, President, Irving Shipbuilding
Ross Langley, Vice Chairman, Irving Shipbuilding
Scott Jamieson, Vice President, Programs, Irving Shipbuilding

s.20(1)(b)

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

PART A: MEETING WITH VANCOUVER SHIPYARDS

Stakeholder / Departmental Objectives

- To have a more in-depth discussion on the revised Integrated Program Schedule (IPS), reiterate the broader implications of the revised schedule for CCG and DFO, [REDACTED]

VSX Revised Integrated Program Schedule Presentation

VSX is scheduled to make a presentation that will build on the discussion from the Special DMGC held on December 13, 2017, [REDACTED]

Key Points to Register

During the meeting with VSX, there are a number of issues that CCG sees as critical items for discussion. These could be brought forward following the presentation.

1. Shipyard Performance and the Revised Schedule

- The last meeting with VSX focused on the revised IPS. [REDACTED]

- [REDACTED]

- [REDACTED]

2. CCG / DFO Impacts of Shipbuilding Delays

- It is becoming increasingly challenging for CCG to support DFO science and fisheries programs with the delays at the yard.
- Schedule slippage erodes project budgets and leads to increased overall procurement costs for Canada.
- Significant investments have been planned through vessel life extension (VLE) work to try to keep vessels in service until the planned delivery of the new vessels from VSX.

Secret

- [REDACTED]
- s.20(1)(b)
- s.20(1)(c)
- s.21(1)(a)
- s.21(1)(b)
- s.69(1)(g) re: (a)
- s.69(1)(g) re: (c)
- Shipbuilding delays are resulting in increased risks to program delivery and the Canadian economy through the loss of platforms that support acquisition of critical science data for the fisheries.
- This fiscal year, DFO Science was faced with securing charters to undertake scheduled science missions, some of which were not completed as charters were unavailable.

3. *Upcoming Production Gap*

- The gap between the OFSVs and the OOSV has begun; [REDACTED]
- [REDACTED]
- [The shipyard has been selected to perform repair and refit work on the Royal Canadian Navy's Wolf (PCT 59); [REDACTED]

Considerations

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

s.69(1)(g) re: (c)



SECRET
GCCMS #: 2018-009-00013
EKME #: #####

To:
Pour: Catherine Blewett

Date:

Object: **DEPUTY MINISTERS GOVERNANCE COMMITTEE SEMI-ANNUAL**
Objet: **SHIPYARDS MEETINGS – JANUARY 23, 2018**

From /
De: Robert Wight, Director General, Major Projects

Via: Andy Smith, Deputy Commissioner, Strategy and Shipbuilding

Additional approvals:
Autre(s) approbation(s):

☐

Material for the Minister
Documents pour le Ministre

☐

Your Signature
Votre signature

☒

Information

Screen: The Department has assessed this issue in full.
Filtre: ☐ It contains no reference to matters covered by the screen relating to J.D. Irving Limited.
☐ It contains matters referenced in the screen relating to J.D. Irving Limited, but in our view does not engage the screen.
☒ In our view, the screen relating to J.D. Irving Limited should be engaged.

Remarks:
Remarques:

Distribution:

Drafting Officer/
Rédacteur:

C. Desbiens (613 949-9228)/ R. Guerra / C.H.



SECRET

2018-012-00571
EKME #: #####

MEMORANDUM FOR THE DEPUTY MINISTER

**QUALITY CONTROL AND THE ROLE OF THE COAST GUARD
ON SITE OFFICE AT VANCOUVER SHIPYARDS**

(FOR INFORMATION)

SUMMARY OF ADVICE TO DEPUTY MINISTER

- The purpose of this note is to advise of the role of the Coast Guard Vancouver On-Site Office (OSO) at Vancouver Shipyards (VSY) in the construction of the Offshore Fisheries Science Vessels (OFSV), and specifically in the context quality assurance, quality control and recent weld quality issues.

BACKGROUND

Quality Assurance (QA) is the process of managing quality, while quality control is used to verify the correctness and quality of the product. Quality assurance emphasizes planning, documenting, and finalizing the guidelines that will be necessary to assure the quality. This process starts at the very beginning of the project to understand the product's requirements and expectations. Once all requirements and expectations are identified, a plan is developed to meet these requirements and expectations. The three tools used in quality management are: quality audits, process analyses, and control tools.

Quality Control (QC) functions start once the project work has begun. It is a reactive approach and helps in finding defects in deliverables. The objective of the quality control process is to make sure that the deliverables are defect free and acceptable as per the quality requirements. The quality control process has two objectives: to find any defects in the product and correct them, and validate the deliverable. Tools used in the Quality Control Process are inspection, statistical sampling, and seven basic tools of quality.

QA vs QC: Under an established quality management system, when a defect is found by the QC group, it is corrected and the feedback sent to the QA team. The QA staff are responsible for

investigating the cause of this defect and taking corrective and/or preventive action. Once the process is updated, the quality control staff are expected to follow the revised process defined by the quality assurance team to ensure the identified defect / problem does not recur.

- Quality assurance focuses on defect prevention and quality control focuses on defect identification.
- Quality assurance is a proactive process while quality control is a reactive process.
- Quality assurance is a process-based approach, while quality control is a product-based approach.

Quality assurance and quality control share the same purpose: to deliver a defect-free product. Both processes are an integral part of a quality management plan and complement each other. Failing to apply either of them will result in a failure of quality management on the project.

The OSO was established at VSY in June 2014. Construction began in October 2014 under the Initial Block contract. At the time, the OSO had only the Director who also acted as an inspector. Since June 2015 and the award of the OFSV Construction Contract, the on-site office has grown to five inspectors (1 electrical, 2 mechanical, and 2 hull inspectors) to meet the demands of three ships under construction in two locations (Vancouver and Victoria), as well as to support the JSS Early Block Build (EBB).

Role of CCG On-Site Office (OSO): The primary role of the OSO is to act as the delegated on-site Inspection Authority in the Contract, ensuring the owner's requirements in the contract are adhered to such that Canada receives a quality ship at acceptance. Similarly, the Classification Society, Lloyd's Register, has an on-site office to ensure Classification and Transport Canada rules, under the Delegated Statutory Inspection Program (DSIP), are adhered to, and that the vessels can be certified by Class and Transport Canada. Lloyds Register also certifies that the shipyard maintains its ISO 9001 certification, which requires the shipyard maintains quality processes. It is primarily Lloyd's and Transport Canada's ruleset that ensures the structural integrity and safety of the vessels. In addition to its primary role, Coast Guard's OSO has also provided marine expertise and advice to the shipyard, managed unforecasted changes [REDACTED] and provided insight and tours to government and other stakeholders.

STRATEGIC CONSIDERATIONS

Under the OFSV Construction Engineering and Construction contracts, VSY was to develop and deliver a Quality Management Plan one month after contract award. Although it was delivered late, it was accepted by Canada.

To ensure the shipyard was following their Quality Management Plan, the Project exercised their right under the Construction Engineering contract to conduct a quality audit to ensure the Quality Management Plan was being adhered to by the shipyard; this audit was conducted by an independent third party under contract to Canada.

.../3

s.20(1)(c)

s.21(1)(b)

Role of OSO with respect to Welding: The OSO conducted visual inspections on the welds through all stages of construction, in addition to reviewing the Non-Destructive Test (NDT) reports as per the approved NDT plan. The present centerline hot root solidification cracking issues, which are prevalent across all 3 OFSVs, were not detectable through visual examination as they are sub-surface and were discovered through ultrasonic NDT.

The OSO is presently monitoring the completion of the NDT and associated weld repairs, as is VSY QC and Lloyds Register.



GCCMS #: 2018-012-00571

To: Catherine Blewett
Pour:

Date:

Object: **MEMO - QUALITY CONTROL AND THE ROLE OF THE COAST GUARD**
Objet: **ON SITE OFFICE AT VANCOUVER SHIPYARDS**

From / De: Andy Smith, Deputy Commissioner, Strategy & Shipbuilding

Via: Jeffery Hutchinson, Commissioner, Canadian Coast Guard

Additional approvals:
Autre(s) approbation(s):

Robert Wight, Director General, Major Projects

☐

Material for the Minister
Documents pour le Ministre

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Your Signature
Votre signature

☒

Information

Remarks:
Remarques:

Distribution:

Drafting Officer/
Rédacteur:

HEATHER MCDONALD (613-608-0587)



Fisheries and Oceans
Canada

Pêches et Océans
Canada

Approved by Andy Smith

Docket #: 2018-012-00915
Security Classification: SECRET

SPEAKING POINTS FOR THE DEPUTY MINISTER

MEETING WITH MARK LAMARRE, CHIEF EXECUTIVE OFFICER, AND TIM PAGE, VICE-PRESIDENT, GOVERNMENT RELATIONS, OF SEASpan

Date of Meeting

December 11, 2018

Stakeholder Objective

- The meeting is expected to be a “meet-and-greet”, but Mark Lamarre could raise issues concerning Vancouver Shipyard’s contracts and relationship with the federal government.

s.20(1)(c)

s.21(1)(a)

Key Points to Register

s.21(1)(b)

s.21(1)(c)

Integrated Project Schedule and Delays

- Both the Offshore Fishery Science Vessel (OFSV) and Offshore Oceanographic Science Vessel (OOSV) programs are showing delays

-

Sequencing of the Joint Supply Ship ahead of the Offshore Oceanographic Science Vessel

- The Hudson is 55 years old. Coast Guard needs a replacement
- Maintaining a science capacity is important to both DFO and the Government. We need to work together to make this initiative work.

Cost Proposal for the Offshore Oceanographic Science Vessel

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- There will have to be some fundamental adjustments before we can move forward. I understand that you are meeting with Coast Guard and Public Services and Procurement Canada to address these issues.

Classification

Future Coast Guard Build Work Beyond the Polar Icebreaker

- [Redacted]
- [Redacted]
- [Redacted]

s.20(1)(c)

s.21(1)(a)

s.21(1)(b)

s.21(1)(c)

Follow Up



Fisheries and Oceans Canada
Correspondence Routing Slip

Fiche d'acheminement de correspondance
Pêches et Océans Canada

SECRET
GCCMS #: 2018-012-00915
EKME #: N/A

To:
Pour: Catherine Blewett

Date: December 7, 2018

Object: MEETING WITH MARK LAMARRE, CHIEF EXECUTIVE OFFICER,
Objet: SEASPAN AND TIM PAGE, VICE-PRESIDENT, GOVERNMENT
RELATIONS, OF SEASPAN

From /
De: Robert Wight, Director General, Major Projects

DEC - 7 2018

Via: Andy Smith, Deputy Commissioner, Strategy and Shipbuilding

Additional approvals:

Autre(s) approbation(s):

☐

Material for the Minister
Documents pour le Ministre

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Your Signature
Votre signature

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Information

Remarks:

Remarques:

Drafting Officer/
Rédacteur:

GREGORY VEYSEY (998-1621)/ Rosangela Guerra / TE-A



Approved by Andy Smith

Docket #: 2018-009-00779
Security Classification: SECRET

SCENARIO NOTE

MEETING WITH MARK LAMARRE, CHIEF EXECUTIVE OFFICER, AND TIM PAGE, VICE-PRESIDENT, GOVERNMENT RELATIONS, OF SEASPAN ON DECEMBER 12, 2018

Overview

s.20(1)(c)

- s.21(1)(a) The meeting is expected to be a “meet-and-greet” with senior representatives from Seaspan,
s.21(1)(b) which owns Vancouver Shipyards (VSY). Under the National Shipbuilding Strategy, VSY is the
s.21(1)(c) shipbuilder for the non-combat package which includes 4 offshore science vessels (3 Offshore
Fishery Science Vessels (OFSV), 1 Coast Guard Offshore Oceanographic Science Vessel
(OOSV), 2 DND Joint Supply Ships (JSS) and 1 Coast Guard polar icebreaker).

Issues that could be raised during the meeting include:

1. Integrated Project Schedule and Delays

VSY has recently provided an updated Integrated Program Schedule which shows further delays to the non-combat program of work. [REDACTED] As a result of the delays to the delivery of the OFSV and OOSV, Coast Guard has had to invest further in the 55 year-old Hudson and the Department's science program has had to look to interim measures, such as chartering. Continued delays impact Coast Guard's ability to meet its obligations and mandate related to scientific research and ecosystem-based management. [REDACTED]

Key Messages

- **Both the Offshore Fishery Science Vessel OFSV and OOSV programs are showing delays** [REDACTED]
- [REDACTED]
- **The *Hudson* will not run forever and science is paramount to the this Department's ability to make decisions** }

SECRET

2. Sequencing of the JSS ahead of the OOSV

There have been recent discussions between Canada and VSY about the possible reordering of programs at the shipyard, including scenarios which would sequence the OOSV behind the JSS program. [REDACTED] the CCGS Hudson, which the OOSV would replace and is 55 years-old, is becoming increasingly difficult to maintain for service. Science research is also compromised when interim solutions, such as chartering, are used to accommodate delays.

Key Messages

- **The Hudson is 55 years-old. Coast Guard needs a replacement** [REDACTED]
- **Maintaining a science capacity is important to both DFO and the Government. We need to work together to make this initiative work,** [REDACTED]
- [REDACTED]

3. Cost Proposal for the Offshore Oceanographic Science Vessel

Canada recently received a cost proposal for the construction of the OOSV. [REDACTED]

Key Messages

- [REDACTED]
- [REDACTED]
- **There will have to be some fundamental adjustments before we can move forward. I understand that you are meeting with Coast Guard and Public Services and Procurement Canada to properly address these issues.**

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4. Future Coast Guard Build Work Beyond the Polar Icebreaker

In 2013, the Government announced that it would build the Coast Guard's Offshore Patrol Vessels (OPVs) and Medium Endurance Multi-Task Vessels at VSY. These procurements were intended to follow the Polar Icebreaker project.

The 2012 Umbrella Agreement commits to building 3 CCG projects and 1 DND project at the shipyard (3 OFSVs, 1 OOSV, 2 JSSs and 1 Polar Icebreaker).

Key Messages

- [REDACTED]
- **We understand the need for a long run of ships** [REDACTED]
[REDACTED] **We need our shipbuilders to be healthy, going concerns.**
- [REDACTED]



SECRET
GCCMS #: 2018-009-00779

To:
Pour: Catherine Blewett

Date: December 10, 2018

Object: **MEETING BETWEEN THE MINISTER'S CHIEF OF STAFF AND**
Objet: **VANCOUVER SHIPYARDS MANAGEMENT**

From /
De: Robert Wight, Director General, Major Projects

Via: Andy Smith, Deputy Commissioner, Strategy and Shipbuilding

Additional approvals:
Autre(s) approbation(s):

☐

Material for the Minister
Documents pour le Ministre

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Your Signature
Votre signature

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Information

Remarks:
Remarques:

Drafting Officer/
Rédacteur:

GREGORY VEYSEY (998-1621)/ Rosangela Guerra / TE-A



Andy Smith

Docket #: 2019-012-00086
Security Classification: SECRET

SCENARIO NOTE FOR THE DEPUTY MINISTER

DEPUTY MINISTERS SEMI-ANNUAL MEETING WITH VANCOUVER AND IRVING SHIPYARDS

Date and Location of Meeting

This meeting will take place on Thursday, February 7, 2019, from 09:00 to 16:00 at Place du Portage Phase III, Tower A, 17 A1, Michael Nurse Boardroom. A draft agenda for the meeting has not yet been provided.

Shipyard Attendees

Vancouver Shipyards (VSY)

s.20(1)(c)
s.21(1)(a)
s.21(1)(c)

- Larry Simkins, President, Washington Corporations
- Mark Lamarre, CEO, Seaspan Shipyards
- Christof Brass, CFO, Seaspan Shipyards
- John McCarthy, CTO (Chief Transformation Officer), Seaspan Shipyards
- Steve Hanks, Director, Seaspan ULC
- Tim Page, VP Government Relations, Seaspan Shipyards

Irving Shipbuilding Inc. (ISI)

- Mr. Jim Irving, Co-Chief Executive Officer, J.D. Irving Limited
- Mr. Kevin McCoy, President, Irving Shipbuilding
- Mr. Ross Langley, Vice-Chairman, Irving Shipbuilding
- Mr. Scott Jamieson, Vice President Programs, Irving Shipbuilding
- Mr. David Gale, Senior Vice President, CSC

Stakeholder Objective

- The meeting will be divided into two parts. Deputies will be meeting with representatives from VSY in the morning followed by discussions with ISI representatives in the afternoon.
- Deputies are expected to review and discuss the combat and non-combat build packages at VSY and ISI with a view to meeting National Shipbuilding Strategy and Defence Procurement Strategy objectives.

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Departmental Objectives

- Coast Guard will have an interest in both shipyard discussions.

- Your objective for the meeting with VSY will be to obtain assurances from the shipyard that resequencing the OOSV project will not unduly increase risks of further delays to the project or increase costs.
- A key issue of interest to Coast Guard that is expected to be raised by ISI during the afternoon meeting is the building of 2 AOPS vessels for the Coast Guard to help address an anticipated production gap at the yard.

1. VSY

A. Sequencing and construction of OOSV & JSS

Key Points to Register

- Coast Guard supports the resequencing option or “split-build”. It would improve the viability of the non-combat package at VSY.
- With resequencing, Coast Guard expects that VSY is expecting to start construction of the OOSV [REDACTED]
- We believe that with resequencing, engineering resources would be ramped-down and that overall OOSV costs would be reduced.

s.20(1)(c)

s.21(1)(b)

Considerations

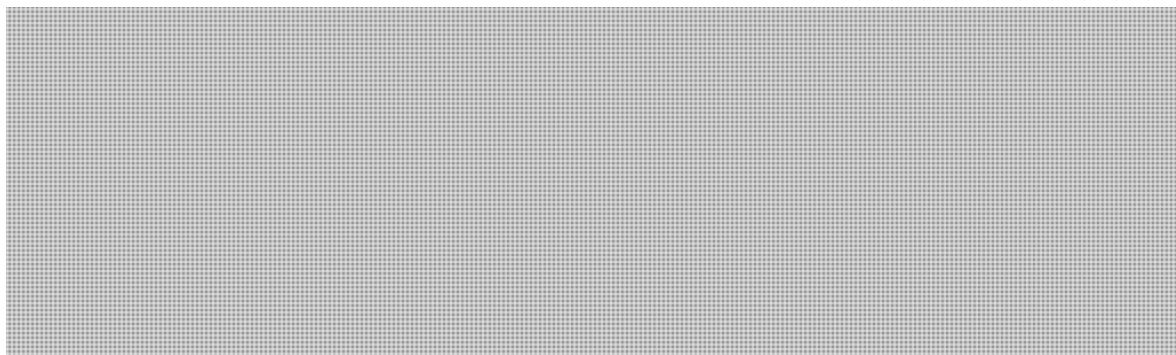
- VSY has been advised that Canada supports the re-ordering of projects/vessels at the shipyard, namely advancing the JSS build before the OOSV (i.e., JSS1 – OOSV – JSS2).
- This is better for the shipyard because it de-conflicts white collar effort on the two designs and, more importantly, better manages the ramp-up of production staff.
- During the anticipated ramp-down in engineering effort on OOSV, the opportunity will be taken to allow procurement and sub-contracting activities at VSY to catch up while advancing the design work on the vessel at a reduced rate to allow VSY to achieve a constant state of design maturity across all systems on the vessel.
- This will de-risk the remaining engineering effort on OOSV once work ramps-up again and ensure that VSY is fully prepared to start construction.
- The anticipated delays to OOSV will be at least one year from the current plan. With another project preceding it, there is a risk of further delays. [REDACTED]
- While it is currently undergoing Vessel Life Extension work to keep it in service until the early 2020s, [REDACTED]

Secret

B. New Business – Polar and MPVs

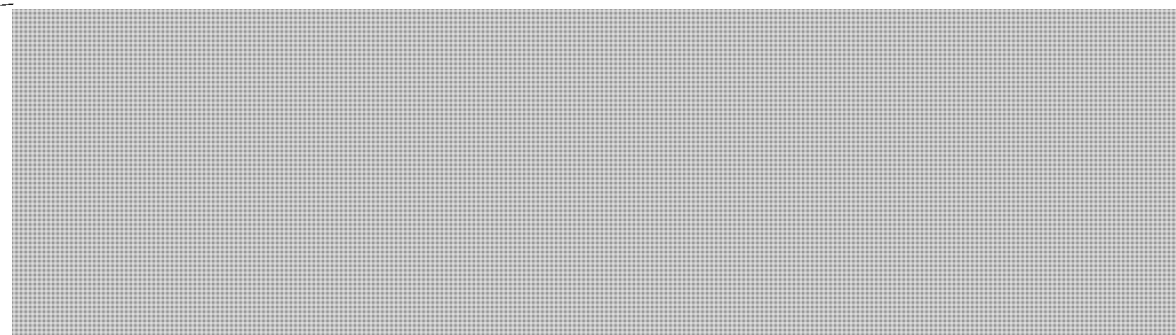
Key Points to Register

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Considerations

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- In 2013, the Government of Canada announced that up to 10 new vessels would be built at VSY – 5 Medium Endurance Multi-Tasked Vessels (MEMTV) and 5 Offshore Patrol Vessels (OPV).



2. ISI

Key Points to Register

- Coast Guard continues to review its fleet renewal plans and is not in a position at this time to make any commitments with regard to the Arctic Offshore Patrol Ships (AOPS)

proposal.

Considerations

s.20(1)(c)

s.21(1)(b)

- ISI is constructing 6 AOPS for the Canadian Navy. The last ship is to be delivered in winter 2024. ISI will also be building the Navy's Combat Surface Combat (CSC), which is scheduled to begin construction in the mid-2020s.
- The period between the end of the AOPS project and the start of the CSC project is referred to as the production gap. Ideally, there would be a seamless transition to the CSC project with no production gap, but this will not be possible.
- If gaps are of a sufficient duration, the shipyard will initiate layoffs due to the lack of work. These workers are then rehired when work resumes. There are associated costs and inefficiencies when this occurs.
- ISI has been advocating that it build 2 AOPS vessels for Coast Guard in order to reduce the production gap and costs.
- Building 2 AOPS (numbers 7 and 8) for the Coast Guard would reduce the length of the production gap and help maintain the labour force at the yard. The 2 AOPS vessels would be delivered [REDACTED] earlier than the proposed delivery of the first 2 MPVs.
- It is projected that acquiring 2 AOPS for Coast Guard would reduce a delay in the CSC project [REDACTED] In order to ensure a smooth transition from the Navy's AOPS 6 to a Coast Guard AOPS 7, a contract must be in place by June 2019 for planning and redesign work so that construction can begin no later than February 2021.

Follow Up (For Deputy Minister's use only)

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SECRET
GCCMS #: 2019-012-00086

To: Timothy Sargent
Pour:

Date: February 4, 2019

Object: **SEMI-ANNUAL SHIPYARD MEETING**
Objet:

From / De: Robert Wight, Director General, Major Projects

Via: Andy Smith, Deputy Commissioner, Strategy and Shipbuilding

Additional approvals:
Autre(s) approbation(s):

☐

Material for the Minister
Documents pour le Ministre

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Your Signature
Votre signature

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Information

Remarks: This briefing note was developed in consultation with the following
Remarques: regions/sectors:

Please note that the material for this meeting is forthcoming.

Drafting Officer/
Rédacteur:

GREGORY VEYSEY (998-1621) / Rosangela Guerra / TE-A